



MEMORANDUM

TO: HIGH PERFORMANCE ENTERPRISE BOARD OF DIRECTORS
FROM: PIPER DARLINGTON, OPERATIONS MANAGER, HPTE
DATE: MAY 20, 2020
SUBJECT: CDOT-HPTE TOLLING EQUIPMENT FINANCING REQUEST

Purpose

To make the High Performance Transportation Enterprise (HPTE) Board of Directors (Board) aware of a \$2.0 million HPTE loan request for tolling equipment and software (Tolling Equipment) that is included in the May CDOT fiscal year (FY) 2019-20 budget amendment. The request is being made under the Tolling Equipment Financing Agreement (Agreement) between the High Performance Enterprise (HPTE) and the Colorado Department of Transportation (CDOT) which was executed in May 2019. Funds will be used for the purchase of Tolling Equipment needed for the I-70 Mountain Express Lane Westbound project.

Requested Action

No HPTE Board action is being requested, the purpose is informational only.

Background on the Need for the Agreement:

In order to maintain its enterprise status, HPTE must own the Tolling Equipment on all Express Lanes projects. There are currently two options that HPTE uses to fund the capital costs related to installing, testing and integrating Tolling Equipment on the Express Lanes:

1. On Express Lanes projects where HPTE is contributing financing for the construction of the lanes, loan proceeds can be used to directly pay for the capital cost of Tolling Equipment. This is the strategy HPTE and CDOT have used on projects such as I-70 Mountain Express Lane (MEXL) Eastbound, C470: I-25 to Wadsworth, I-25 North: 120th to E470 and intends to use on I-25 Johnstown to Fort Collins. Once the lane is open and operational, HPTE then repays the lenders using toll revenue generated on the corridor.
2. On Express Lanes projects where HPTE is not contributing financing, HPTE borrows money from CDOT to pay for the capital cost of the Tolling Equipment. This is the financing mechanism that HPTE and CDOT used on I-25 North: US36th to 120th, initial costs on C470: I-25 to Wadsworth prior to financial close and plans to use on I-70 MEXL Westbound (should the resolution and agreement be approved). Once the lane is open and operational, HPTE then repays CDOT with toll revenue generated on the corridor.

For Express Lanes projects that fall into the second category, HPTE and CDOT must enter into a formal agreement to document the terms of the financial arrangement. For early Express Lanes projects, CDOT and HPTE utilized the Master Installment Purchase Agreement (MIPA) that was executed in November 2014. Under the MIPA, the TC authorized \$5 million to be used to purchase Tolling Equipment and HPTE utilized funds under the MIPA to purchase Tolling Equipment for I-25 US36 to 120th (at a cost of \$1,616,606) and for C-470 I-25 to Wadsworth (at a cost of \$433,372). **HPTE has repaid CDOT in full for all current obligations that were originally incurred under the MIPA.**

Current Details

As HPTE has become a more sophisticated entity with more mature business practices, the terms and processes outlined by the MIPA were not consistent with accounting or budget best practices. In 2019, HPTE and CDOT entered into a new Agreement which not only reflects the current business practices of CDOT and HPTE, but also allows for new Express Lanes projects not contemplated under the existing MIPA, including the Westbound I-70 Mountain Express Lane Project.

Under the new Agreement, CDOT will loan HPTE funds to purchase Tolling Equipment and then repay CDOT using toll revenue once the project is open. To account for the different times at which Tolling Equipment will be needed for each Express Lane project and to take into consideration the differences in each corridor, the Agreement provides flexibility to allow CDOT and HPTE to order the Tolling Equipment for each Express Lane project when needed and to document the specific financial terms applicable to each system of Tolling Equipment at different times. These specific terms will be documented in exhibits to the Agreement, which will include (a) a description of the Tolling Equipment; (b) an applicable repayment schedule; and (c) an indexed invoice of Tolling Equipment. While the agreement does provide this needed flexibility, each exhibit to the Agreement will require the approval of CDOT's Chief Financial Officer and the HPTE Director.

In addition, the following financial parameters have been identified in the Agreement: (i) CDOT will charge the current SIB interest rate at the time funds are requested which will accrue upon HPTE's acceptance of the funds; (ii) HPTE may repay any amounts accrued with no prepayment penalty; (iii) the cost of the equipment and accrued interest must be paid in full no later than ten (10) years from the date HPTE accepts the funds; (but will generally be repaid immediately following ramp-up of the specific Express Lane facility) and (iv) HPTE will stagger its request for funds between Fiscal Year 2019 through Fiscal Year 2022.

Next Steps:

- HPTE staff will coordinate with the Office of Financial Management and Budget (OFMB) to ensure that the approved funding is distributed and available for use in order to meet project deadlines.
- HPTE staff will communicate and coordinate on all future request for project funding under the Agreement to the CDOT Chief Financial Officer, OFMB staff and the HPTE Board.